



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

City of Ephrata

Grant County

For the period January 1, 2013 through December 31, 2013

Published December 29, 2014

Report No. 1013281





Washington State Auditor
Troy Kelley

December 29, 2014

Mayor and City Council
City of Ephrata
Ephrata, Washington

Report on Financial Statements

Please find attached our report on the City of Ephrata's financial statements.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR

TABLE OF CONTENTS

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	4
Independent Auditor's Report On Financial Statements	6
Financial Section.....	9
About The State Auditor's Office.....	24

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**City of Ephrata
Grant County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Ephrata
Ephrata, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Ephrata, Grant County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 19, 2014.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

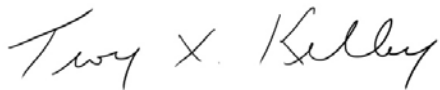
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

December 19, 2014

Independent Auditor's Report on Financial Statements

City of Ephrata Grant County January 1, 2013 through December 31, 2013

Mayor and City Council
City of Ephrata
Ephrata, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Ephrata, Grant County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Ephrata has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Ephrata, for the year ended December 31, 2013, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Ephrata, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

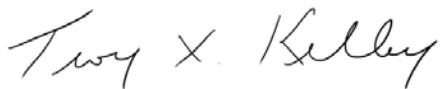
Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Liabilities is presented for purposes of additional analysis as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR

December 19, 2014

Financial Section

**City of Ephrata
Grant County
January 1, 2013 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
Notes to Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 Current Expense	112 Street Fund	113 Sidewalk Constriction
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	967,398	0	232,156	0
30880	Beg Fund Bal-Unreserved	3,229,932	1,071,099	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	4,008,577	3,702,704	115,186	0
320	Licenses & Permits	117,130	117,130	0	0
330	Intergovernmental Revenues	599,464	215,598	186,057	0
340	Charges for Goods and Services	5,258,545	224,644	0	0
350	Fines & Penalties	9,008	9,008	0	0
360	Miscellaneous Revenues	139,502	99,473	487	3,983
Total Operating Revenues:		10,132,227	4,368,558	301,730	3,983
Operating Expenditures					
510	General Government	296,177	285,269	0	0
520	Public Safety	2,757,254	2,757,254	0	0
530	Utilities	3,348,586	0	0	0
540	Transportation	852,385	144,126	375,015	0
550	Natural and Economic Environment	274,649	200,097	0	0
560	Social Services	35,364	35,364	0	0
570	Culture And Recreation	874,151	874,151	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		8,438,566	4,296,260	375,015	
Net Operating Increase (Decrease):		1,693,661	72,297	-73,285	3,983
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	471,423	49,675	0	0
391-393	Debt Proceeds	60,130	0	0	0
397	Transfers-In	220,790	124,390	0	0
Total Nonoperating Revenues:		752,343	174,065		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	47,396	47,023	0	0
591-593	Debt Service	1,081,553	78,032	0	0
594-595	Capital Expenditures	260,963	0	58,371	408
597	Transfers-Out	220,790	96,400	0	0
Total Nonoperating Expenditures:		1,610,702	221,455	58,371	408
Increase (Decrease) in Cash and Investments		835,302	24,906	-131,656	3,575
Ending Cash and Investments					
50810	End Fund Bal-Reserved	827,537	0	100,500	3,576
50880	End Fund Balance-Unreserved	4,205,095	1,096,007	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		115 Cemetery Fund	120 Convention Center	153 Park Development	155 Capital Improvement
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	54,265	33,877	79,444	393,310
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	21,940	64,546	0	104,200
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	54,039	0	39,531	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	11,518	1,074	3,778	0
Total Operating Revenues:		87,497	65,621	43,309	104,200
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	77,075	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	74,552	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		77,075	74,552		
Net Operating Increase (Decrease):		10,422	-8,931	43,309	104,200
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	84	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:		84			
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	84	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	29,566	13,573
597	Transfers-Out	0	0	0	124,390
Total Nonoperating Expenditures:		84		29,566	137,963
Increase (Decrease) in Cash and Investments		10,422	-8,931	13,743	-33,763
Ending Cash and Investments					
50810	End Fund Bal-Reserved	64,686	24,946	93,187	359,548
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		299 Pool Bond Fund	340 CDBG Grant Fund	380 Downtown Improvement	422 Sanitation Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	4,372	7,433	335	797,654
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	197,810
340	Charges for Goods and Services	0	0	0	997,831
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	330	0	0
Total Operating Revenues:			330		1,195,641
Operating Expenditures					
510	General Government	0	0	0	3,636
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	1,027,394
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					1,031,030
Net Operating Increase (Decrease):		0	330	0	164,611
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	403,759
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	96,400	0	0	0
Total Nonoperating Revenues:		96,400			403,759
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	96,224	0	0	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		96,224			
Increase (Decrease) in Cash and Investments		176	330	0	568,370
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	4,547	7,763	335	1,366,024

The accompanying notes are an integral part of this Statement.

BARS Code		424 Water/Sewer Fund	523 Equipment Rental Fund	702 Cemetery Care Fund
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	0	0	174,345
30880	Beg Fund Bal-Unreserved	1,071,788	277,252	0
38800/58800	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	0	0
340	Charges for Goods and Services	3,469,120	473,381	0
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	12,100	10	6,749
Total Operating Revenues:		3,481,220	473,391	6,749
Operating Expenditures				
510	General Government	7,272	0	0
520	Public Safety	0	0	0
530	Utilities	2,244,117	0	0
540	Transportation	0	333,245	0
550	Natural and Economic Environment	0	0	0
560	Social Services	0	0	0
570	Culture And Recreation	0	0	0
598	Intergovernmental Payments	0	0	0
Total Operating Expenditures:		2,251,389	333,245	
Net Operating Increase (Decrease):		1,229,831	140,146	6,749
Nonoperating Revenues				
370, 380, 395, 398	Other Financing Sources	17,904	0	0
391-393	Debt Proceeds	60,130	0	0
397	Transfers-In	0	0	0
Total Nonoperating Revenues:		78,034		
Nonoperating Expenditures				
580, 596, 599	Other Financing Uses	289	0	0
591-593	Debt Service	864,855	42,441	0
594-595	Capital Expenditures	132,233	26,812	0
597	Transfers-Out	0	0	0
Total Nonoperating Expenditures:		997,377	69,253	
Increase (Decrease) in Cash and Investments		310,488	70,893	6,749
Ending Cash and Investments				
50810	End Fund Bal-Reserved	0	0	181,094
50880	End Fund Balance-Unreserved	1,382,275	348,145	0

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	615 Retirement Reserve
308	Beginning Cash and Investments	32,323	32,323
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	0	0
380-390	Other Increases and Financing Sources	0	0
510-570	Expenditures	0	0
580-590	Other Decreases and Financing Uses	0	0
Increase (Decrease) in Cash and Investments		0	0
508	Ending Cash and Investments	32,323	32,323

The accompanying notes are an integral part of this Statement.

CITY OF EPHRATA

NOTES TO FINANCIAL STATEMENTS

JANUARY 1, 2013 THROUGH DECEMBER 31, 2013

Note 1 - Summary of Significant Accounting Policies

The City of Ephrata reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Ephrata was incorporated in 1909 and operates under the laws of the state of Washington applicable to a non-charter code city with a mayor/council form of government. The city is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, general administrative services, a city owned cemetery, and city owned water, sewer and sanitation utilities. The city uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the city are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The city's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the city:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the city. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the city.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the city on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by city in a trustee capacity or as an agent on behalf of others.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law the city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The city adopts annual appropriated budgets for Current Expense, Special Revenue, Debt Service, Capital Projects, Proprietary and Fiduciary Funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

The annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Total General Fund	\$3,751,418	\$3,494,868	\$265,550
Total Library Fund	\$230,550	\$211,442	\$19,108
Total Park Fund	\$798,755	\$728,235	\$70,520
Total Fire Reserve Fund	\$81,600	\$81,270	\$330
Total Police Reserve Fund	\$2,000	\$1,900	\$100
Total Street Fund	\$460,210	\$433,386	\$26,824
Total Sidewalk Construction Fund	\$500	\$408	\$92
Total Cemetery Fund	\$94,100	\$77,160	\$16,940
Total Convention Fund	\$76,200	\$74,552	\$1,648
Total Park Development	\$51,500	\$29,566	\$21,934
Total Capital Improvement	\$140,000	\$137,963	\$2,037
Total Pool Bond Fund	\$96,400	\$96,224	\$176
Total Sanitation Fund	\$1,230,000	\$1,031,030	\$198,970
Total Water/Sewer Fund	\$3,263,300	\$3,154,238	\$109,062
Total Water/Sewer Construction Fund	\$1,143,650	\$999,274	\$144,376
Total Public Works Trust	\$619,000	\$590,214	\$28,786
Total SRF Redemption Fund	\$274,650	\$274,641	\$9
Total Equipment Rental	\$480,250	\$402,498	\$77,752
Total Equipment Rental Reserve	\$0	\$0	\$0
Total Cemetery Care Fund	\$2,000	\$0	\$2,000

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body.

D. Cash

It is the city's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to various funds.

E. Deposits

The city's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC) and/or the Washington Public Deposit Protection Commission (WPDPC).

F. Investments See Note 2, *Investments*.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The capital assets of the city are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 35 days and is payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Upon separation or retirement, employees receive payment for 50% of unused sick leave, once they reach a threshold of 200 hours, up to a maximum of 480 hours.

I. Long-Term Debt See Note 4, *Debt Service Requirements*.

J. Other Financing Sources or Uses

The city's *Other Financing Sources or Uses* consist of inter fund transfers in/out.

K. Risk Management

The city is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of September 1, 2013, there are 236 members in the program.

The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive, and collision, equipment breakdown and crime protection, and liability, including general, automobile, and wrongful acts, are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Canfield that is subject to a per-occurrence self-insured retention of \$100,000. Members are responsible for a \$1000 deductible for each claim, while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$3,247,000 to cap the total claims paid by the program in any one year.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment breakdown insurance is subject to a per-occurrence deductible of the \$2,500 (\$10,000 for Pumps & Motors). Members are responsible for the deductible amount of each claim. There is no program self-insured retention on the coverage.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement

is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, an loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2013 were \$1,423,059.

L. Reserved Fund Balance

The following funds have reserved fund balances:

- 112 Street Fund RCW 47.24.040
- 113 Sidewalk Const Fund ORD 13-05
- 115 Cemetery Fund EMC 14-24-040
- 120 Convention Fund RCW 67.28.180
- 153 Park Development EMC 18.04.780C
- 155 Capital Improvement RCW 82.46.010 & 82.46.035
- 702 Endowment Care Fund EMC 14.24.020

Note 2 - Investments

The city's investments are either insured, registered or held by the city or its agent in the city's name.

Investments are presented at cash value.

Investments by type at December 31, 2013 are as follows:

Type of Investment	City's Own Investments	Total
L.G.I.P.	\$77,821.98	\$77,821.98
Grant County Investment Pool	\$2,473,506.25	\$2,473,506.25
Certificate of Deposit	\$106,630.80	\$106,630.80
TOTAL	\$2,657,959.03	\$2,657,959.03

Note 3 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2013 was \$2.821892 per \$1,000 on an assessed valuation of \$392,329,877 for a total regular levy of \$1,107,113.00.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (Schedule 09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2013.

The debt service requirements for general obligation bonds, revenue bonds and lease purchasing contracts including both principle and interest, risk pool assessment are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2014	\$ 94,735.00	\$ 873,950.00	\$ 48,399.00	\$ 1,017,084.00
2015	\$ 93,333.00	\$ 871,050.00	\$ 42,441.00	\$ 1,006,824.00
2016	\$ 96,760.00	\$ 867,701.00		\$ 964,461.00
2017	\$ 89,735.00	\$ 864,353.00		\$ 954,088.00
2018	\$ 92,610.00	\$ 861,002.00		\$ 953,612.00
2019-2023		\$ 3,357,852.00		\$ 3,357,852.00
2024-2028		\$ 2,386,234.00		\$ 2,386,234.00
2029-2031		\$ 371,573.00		\$ 371,573.00
TOTALS	\$ 467,173.00	\$ 10,453,715.00	\$ 90,840.00	\$ 11,011,728.00

Note 5 - Pension Plans

Substantially all City of Ephrata full-time and qualifying part-time employees participate in Public Employees Retirement System (PERS) or Law Enforcement and Fire Fighters (LEOFF) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the city's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

Note 6 – Post Employment Benefits

Other Post-Employment Benefits (OPEB) are benefits that are provided to retired employees beyond those provided by their pension plans. Such benefits include medical, prescription drug, dental, vision, disability and long-term care insurance. Law Enforcement Officers' and Fire Fighters' Retirement Plan 1 (LEOFF 1) employers pay 100 percent of "necessary medical services" for LEOFF 1 retirees. The last employer of a retired LEOFF 1 member is responsible for the full cost of any post-retirement medical benefits.

The city has a commitment to pay for post-employment benefits for employees that belong to the LEOFF I Pension Plan. These benefits include medical insurance and long-term care insurance. Four retirees received benefits during 2013; \$47,877 was paid out for medical insurance premiums and approved out-of-pocket medical expenses. The City has purchased long-term care policies for three of the four retirees to help mitigate against the post-employment liability shown on Schedule 09.

Note 7 – Pollution Dispute

The City of Ephrata and Grant County have been named potentially liable persons by the Department of Ecology at the Grant County Landfill for the alleged release of hazardous substances at the County Landfill. The liability shown in Schedule 09 for Landfill Remediation is an **estimate only**. The City's exposure is protected by insurance coverage. There has been no agreement or assignment of Post Closure Cost to the City. The County has reported their future Post Closure Costs estimated at \$12,500,000 over the next 29 years. The worst case scenario, the City would be responsible for 50% of that cost. This is highly unlikely and yet to be determined.

Note 8 – Accounting

In compliance with State Auditors requirements the following funds were reclassified and rolled into the General Fund (001):

- 014 – Library
- 016 – Parks
- 054 – Fire Reserve
- 057 – Police Reserve
- 170 – Cooperative Growth

Enterprise Fund – The following funds were rolled into the Water/Sewer Fund (424):

- 425 – Water/Sewer Construction
- 426 – Public Works Trust Fund
- 427 – SRF Reserve Fund
- 428 – SRF Redemption Fund

Equipment Rental Fund – The following fund was rolled into the Equipment Rental Fund (523):

- 525 – Equipment Rental Reserve Fund

The beginning fund balance on C-4 and Schedule 01 for Fund 001, Current Expense, was adjusted to reflect that Journal Entries were made in 2008, 2009 and 2011 reflecting Petty Cash of \$3,800 in the Beginning and Ending Fund Balances. This amendment was incorrect on the 2012 Annual Report.

Note 9 – CIAW Assessment

The Cities Insurance Association of Washington, as directed by the Office of Financial Management, assessed their membership an additional reassessment fee for the years of 2002 – 2006. City will be required to pay an additional \$5,958 per year for the years 2010 – 2014.

Note 10 – Citizens Committee

There is a Community Trails Committee that is working on the development of a City wide trail system in connection with the Healthy Communities initiative. The Community Trails Committee is comprised of twelve to fifteen citizens, one Council member, the Parks & Recreation Director and Public Works Director. They have raised funds from private individuals and organizations which are held by the Columbia Basin Foundation.

City of Ephrata

Schedule of Liabilities

For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	251.11	3/1/1999 - Nonvoted GO Debt-Splashzone Refunded 2011	12/1/2018	520,000	0	85,000	435,000
	263.51	2/1/2003 - Lease/Purchase Fire Truck	2/23/2013	75,127	0	75,127	0
	259.11	Compensated Absences - Governmental		367,231	72,874		440,105
	263.98	Risk Pool Assessment	10/1/2014	12,276		6,318	5,958
	263.93	LEOFF I Retiree Post Retirement Liability		1,379,458		47,877	1,331,581
Total General Obligations:				2,354,092	72,874	214,322	2,212,644
Revenue Obligations							
	263.52	2/15/2011 - Lease/Purchase Street Sweeper	4/15/2015	117,000	0	37,352	79,648
	263.82	9/1/1999 - Dept of Ecology WWTP	8/1/2020	2,197,128	0	274,641	1,922,487
	263.82	7/1/2003 - PWTF Loan-Grandview Water Line	7/1/2022	730,104	0	73,010	657,094
	263.82	7/1/2004 - PWTF Loan Port of Ephrata Engineering	7/1/2023	14,764	0	1,343	13,421
	263.82	7/1/2005 - PWTF Loan - Port of Ephrata Construction	7/1/2025	197,736	0	15,210	182,526

The accompanying notes to the financial statements are an integral part of this schedule

City of Ephrata

Schedule of Liabilities

For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
	263.82	3/7/2008 - PWTF Loan - Waterline/Street Project - Construction Phase I, II & III	7/1/2028	5,397,481	0	337,343	5,060,138
	263.82	10/17/2011 - PWTF Loan - Waterline/Street Project - Construction Phase IV	6/1/2031	2,185,066	60,129	115,003	2,130,192
	259.12	Compensated Absences - Proprietary Sanitation		27,389		8,602	18,787
	259.12	Compensated Absences - Proprietary Water/Sewer		137,738		6,602	131,136
	259.12	Compensated Absences - Proprietary Equipment Rental		15,263	10,862		26,125
	263.97	Grant County Landfill Remedial Action	12/1/1930	67,491		0	67,491
Total Revenue Obligations:				11,087,160	70,991	869,106	10,289,045
Total Liabilities:				13,441,252	143,865	1,083,428	12,501,689

The accompanying notes to the financial statements are an integral part of this schedule

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov